

Chapter 2

Recording Business Transactions

Questions

1. The statement is false because debit means left and credit means right. Debits and credits are used to record increases and decreases in accounts, so debits can be increases or decreases depending on the type of account involved and likewise for credits.
2. Debits are on the left-hand side and credits are on the right-hand side. Depending on which side of the equation you are on, debits will either increase or decrease an accounting equation item.

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
Dr Cr		Dr Cr		Dr Cr
+ -		- +		- +
				<u>Capital</u>
				Dr Cr
				- +
				<u>Revenues</u>
				Dr Cr
				- +
				<u>Expenses</u>
				Dr Cr
				+ -
				<u>Withdrawals</u>
				Dr Cr
				+ -

3. The three basic types of accounts are ASSETS, LIABILITIES, and OWNER'S EQUITY. Two additional types of accounts are REVENUES and EXPENSES. They are part of owner's equity; revenues increase owner's equity and expenses decrease owner's equity.
4. The dual effects of an owner's investment in her business are (1) an increase in the entity's cash and (2) an increase in the owner's equity.

5. Unadjusted

Business Transaction	Entry in	Posting to	Trial
Creates Source Document	→ Journal	→ Ledger	→ Balance
6. The normal balance of an account is the side of the account—debit or credit—that records increases. Also, an account's normal balance is the side of the account that usually has the account's balance.
7.

<i>Account Type</i>	<i>Normal Balance</i>
Assets	<u>Debit</u>
Liabilities	<u>Credit</u>
Owner's equity	<u>Credit</u>
Revenues	<u>Credit</u>
Expenses	<u>Debit</u>
8. Posting transfers amounts from the journal to the ledger is important because the transaction entries in the journal do not accumulate all the information related to each account. The accounts in the ledger hold that information. The ledger groups together transactions that are similar. For example, all cash transaction from the journal are grouped together in the ledger. Therefore, the transfer of data to the accounts in the ledger—that is, posting from the journal to the ledger—makes it possible to determine the balance in each account. Posting comes after journalizing.
9.

<u>+</u> a. Investment by owner	<u>0</u> e. Cash payment on account
<u>+</u> b. Invoice customer for services	<u>-</u> f. Withdrawal of cash by owner
<u>0</u> c. Purchase of supplies on credit	<u>0</u> g. Borrowing money on a note payable
<u>-</u> d. Pay expenses with cash	<u>+</u> h. Sale of services on account
10. Posting's four steps are (1) copy the date of a transaction from the journal to the ledger, (2) copy the journal page number from the journal to the ledger, (3) copy (post) the dollar amounts of the debit and the credit from the journal to the ledger, and (4) copy the account numbers from the ledger back to the journal to indicate that the transaction amount has been posted to the ledger. Step 3, transferring the transaction amount to the account, is the fundamental purpose of posting.
11. Cash
 Accounts Receivable
 Note Payable
 Sam Westman, Capital
 Sales Revenue
 Salaries Expense
12. "Accounts Payable has a credit balance of \$2,800" means that the entity owes \$2,800 to its creditors on a debt that is not evidenced by a formal note payable.
13. The two business transactions are (1) Spiffy Cleaners providing laundry service and earning revenue and (2) Bobby Ng paying cash to Spiffy Cleaners. The business's

earning of the revenue increases the owner's equity in the company, and Ng's payment of cash increases the business's cash.

14. The *ledger* is the group of actual accounts in use that contain a record of activity in those accounts. The *chart of accounts* is a list of all the accounts set up in the ledger with their account numbers.
15. Accountants prepare a trial balance to check the accuracy of postings to accounts and determine whether the total debits equal the total credits. It is a useful summary of all the accounts and their balances and serves as an early error-detection tool.
16. A compound journal entry is one that affects more than two accounts.
17. A trial balance verifies the equality of total debits and total credits of all accounts on the trial balance and is an internal document used only by employees of the company. The balance sheet, on the other hand, presents the business's accounting equation and is a financial statement that can be used by both internal and external users.
18. This error does *not* cause the trial balance to be out of balance because both the total debits and the total credits are overstated by the same amount, \$5,400 (\$6,000 – \$600).
19. Collecting cash on account has no effect on total assets because the increase in cash, which increases total assets, is offset by the decrease in accounts receivable, which decreases total assets.
20. If total debits equal total credits on the trial balance, it does not mean that the trial balance is error-free. An incorrect amount could have been used, an entry could have been completely missed, or the wrong account title could have been debited or credited.

Starters

(5 min.) **S2-1**

- a. 11
- b. 7
- c. 1
- d. 4
- e. 6
- f. 3
- g. 5
- h. 9
- i. 8
- j. 10
- k. 2

Note: there are 9 steps in the text. This question breaks out steps 5 and 8 into separate steps for journalizing and posting.

(5 min.) **S2-2**

“The basic summary device in accounting is the account. The left side is called the debit side, and the right side is called the credit side. We record transactions first in a journal. Then we post (copy the data) to the ledger. It is helpful to list all the accounts with their balances on a trial balance.”

(10 min.) **S2-3**

- | | | | |
|----------|-------------------|----|---|
| <u>c</u> | 1. Credit | a. | Record of transactions |
| <u>d</u> | 2. Normal balance | b. | Always an asset |
| <u>g</u> | 3. Payable | c. | Right side of an account |
| <u>a</u> | 4. Journal | d. | Side of an account where increases are recorded |
| <u>b</u> | 5. Receivable | e. | Copying data from the journal to the ledger |
| <u>j</u> | 6. Capital | f. | Increases in equity from providing goods and services |
| <u>e</u> | 7. Posting | g. | Always a liability |
| <u>f</u> | 8. Revenue | h. | Revenues – Expenses (where expenses exceed revenues) |
| <u>h</u> | 9. Net loss | i. | Grouping of accounts |
| <u>i</u> | 10. Ledger | j. | Owner's equity in the business |

(5-10 min.) **S2-4**

- | | |
|--|---|
| a. To decrease Accounts Payable: debit | e. To increase Equipment: debit |
| b. To increase Cash: debit | f. To increase Accounts Payable: credit |
| c. To increase Note Payable: credit | g. To increase Land: debit |
| d. To increase Office Supplies: debit | h. To increase Owner, Capital: credit |

(5 min.) **S2-5**

Normal Balances are:

- Accounts Payable – credit
- Withdrawals – debit
- Utilities Expense – debit
- Cash – debit
- Service Revenue – credit
- Rent Expense – debit
- Accounts Receivable – debit

(5 min.) **S2-6**

Debit	Credit
a. Cash	Capital
b. Supplies	Cash
c. Cash	Service revenue
d. Equipment	Note payable
e. Supplies	Accounts payable
f. Accounts receivable	Service revenue
g. Cash	Accounts receivable
h. Accounts payable	Cash

(10 min.) **S2-7**

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Sep. 1	Cash		29,000	
	Jonathan Wen, Capital			29,000
	Received investment from owner.			
2	Computer Equipment		9,500	
	Accounts Payable			9,500
	Purchased supplies on account.			
2	Rent Expense		4,100	
	Cash			4,100
	Paid office rent for September.			
3	Accounts Receivable		6,800	
	Service Revenue			6800
	Performed service for clients on account.			

(10 min.) **S2-8**

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Sep. 22	Accounts Receivable		6,000	
	Service Revenue			6,000
	Performed services for clients on account.			
30	Cash		4,500	
	Accounts Receivable			4,500
	Received cash on account.			
30	Internet Expense		150	
	Accounts Payable			150
	Received internet bill.			
30	Advertising Expense		900	
	Cash			900
	Paid advertising expense.			
30	Salaries Expense		3,900	
	Cash			3,900
	Paid salary for the month.			

(10 min.) **S2-9**

Cash		Medical Supplies		Accounts Payable	
32,000	2,900	9,500		2,700	9,500
6,800	2,700				
Bal. 33,200		Bal. 9,500			Bal. 6,800

Jatin Singh, Capital		Service Revenue		Rent Expense	
	32,000		6,800	2,900	
	Bal. 32,000		Bal. 6,800	Bal. 2,900	

(10-15 min.) **S2-10**

Req. 1

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Sep. 8	Supplies		10,000	
	Accounts Payable			10,000
	Purchased supplies on account.			
Sep. 22	Accounts Payable		4,000	
	Cash			4,000
	Paid cash on account.			

Req. 2

Accounts Payable	
4,000	10,000
Bal.	6,000

(10-15 min.) **S2-11**

Req. 1

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Oct. 5	Accounts Receivable		12,000	
	Service Revenue			12,000
	Performed service on account.			
Nov. 4	Cash		5,500	
	Accounts Receivable			5,500
	Received cash on account.			

Req. 2

Cash	Accounts Receivable	Service Revenue
5,500	12,000	12,000
Bal. 5,500	Bal. 6,500	Bal. 12,000

Req. 3

a. The business earned	\$12,000:	Service Revenue	
b. Total assets	\$12,000:	Cash	\$ 5,500
		Accounts receivable	<u>6,500</u>
		Total assets	<u>\$12,000</u>

(10 min.) **S2-12**

$$\text{Cash} = 67,500 + 16,800 - 4,200 - 12,300 = \$67,800$$

$$\text{Accounts Payable} = 4,800 + 700 - 1,100 = \$4,400$$

$$\text{Accounts Receivable} = 2,700 + 5,800 + 4,900 - 2,700 - 1,100 - 850 - 4,090 = \$4,660$$

(10 min.) **S2-13**

R. Glennie, Capital

$$X + 56,000 + 15,000 - 22,000 = 73,000$$

$$X = 73,000 - 56,000 - 15,000 + 22,000$$

$$X = 24,000$$

Accounts Receivable

$$21,800 + 55,100 - X = 47,000$$

$$X = 47,000 - 21,800 - 55,100$$

$$X = 29,900$$

(10-15 min.) **S2-14**

BALZY INDOOR TENNIS CLUB			
Unadjusted Trial Balance			
November 30, 2020			
Account Number	Account Title	Debit	Credit
10002	Cash	\$23,040	
17500	Furniture	5,500	
20001	Accounts payable		\$ 3,740
30001	Stan Balzy, capital		27,000
30002	Stan Balzy, withdrawals	1,200	
40001	Sales revenue		5,500
51200	Supplies expense	2,500	
53200	Rent expense	<u>4,000</u>	<u> </u>
	Total	<u>\$36,240</u>	<u>\$36,240</u>

(10 min.) **S2-15**

A+ ROOFERS		
Unadjusted Trial Balance		
December 31, 2020		
Account Title	Debit	Credit
Cash	\$ 6,000	
Equipment	43,000	
Accounts payable		\$ 1,000
Note payable		17,000
Capital		25,000
Revenue		32,000
Expenses	<u>26,000</u>	<u> </u>
Total	<u>\$75,000</u>	<u>\$75,000</u>

(10 min.) **S2-16**

To identify and correct this error:

1. Take the difference between total debits and total credits: $\$44,200 - \$46,000 = \$1,800$
2. Divide the error by 9: $\$1,800/9 = \200
3. Locate \$200 on the trial balance. Equipment, at \$200, appears to be the account with the slide error. In real life, one would then trace the Equipment amount back to the ledger account to confirm that the correct amount should have been \$2,000, not \$200 (hence the \$1,800 slide error).
4. Correct the trial balance.

(10 min.) **S2-17**

HUNTER ENVIRONMENTAL CONSULTING			
Unadjusted Trial Balance			
April 30, 2019			
Account Number	Account Title	Debit	Credit
1100	Cash	\$172,000	
1200	Accounts receivable	10,000	
1400	Office supplies	7,000	
1900	Land	100,000	
2100	Accounts payable		\$ 2,000
3000	Lisa Hunter, capital	250,000*	
3100	Lisa Hunter, withdrawals	6,000	
4000	Service revenue		55,000
5100	Rent expense	4,000	
5200	Salary expense	6,500	
5300	Utilities expense	<u>1,500</u>	<u> </u>
	Total	<u>\$557,000</u>	<u>\$57,000</u>

*Incorrect; should be listed as a credit.

To correct this error:

1. Take the difference between total debits and total credits:
 $\$557,000 - \$57,000 = \$500,000$
2. Divide the error by 2:
 $\$500,000 \div 2 = \$250,000$
3. Locate \$250,000 on the trial balance. This matched the balance in the Capital account. The Capital account should have a credit balance.

Exercises

(10-15 min.) **E2-1**

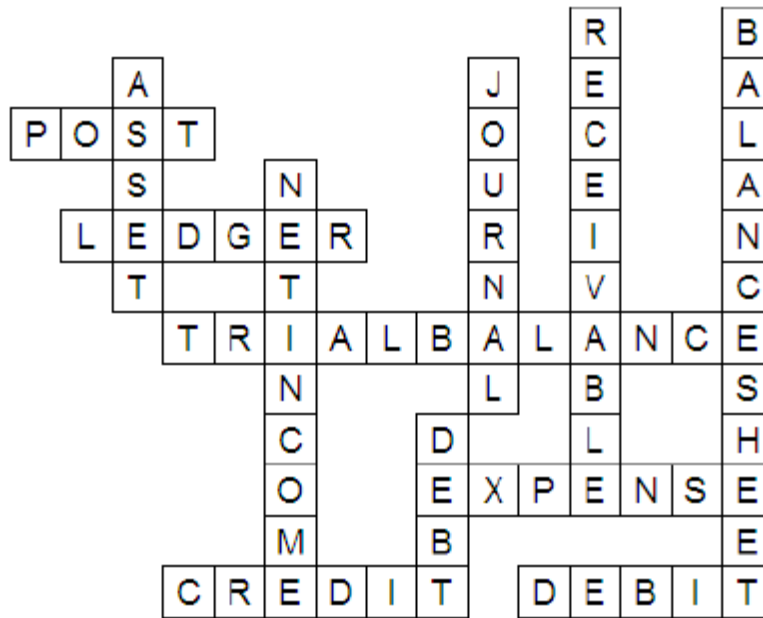
TO: Office Manager

FROM: Student Name

Each time Prairie Tours received cash, accountants recorded the transaction in the *journal* by *debiting* the Cash account. Accountants recorded cash payments by making a journal entry that included a *credit* to Cash. Debits in the journal were *posted* as debits to the Cash account in the *ledger* and credits were posted as credits. At the end of the period, accountants listed each account, along with its balance, on the *trial balance*. Cash had a balance of \$57,800.

Instructional Note: Student responses may vary considerably.

(15 min.) **E2-2**



(10 min.) **E2-3**

Salaries Payable	<u>L</u>	Salaries Expense	<u>E</u>
Land	<u>A</u>	Rent Revenue	<u>R</u>
L. Graham, Capital	<u>OE</u>	Computer Equipment	<u>A</u>
Rent Expense	<u>E</u>	Note Payable	<u>L</u>
Supplies	<u>A</u>	Prepaid Rent	<u>A</u>
Accounts Payable	<u>L</u>	L. Graham, Withdrawals	<u>OE</u>

(10-15 min.) **E2-4***Req. 1*

<i>Debit</i>		=	<i>Credit</i>		+	<i>Credit</i>
ASSETS		=	LIABILITIES		+	OWNER'S EQUITY
\$75,500		=	\$46,300		+	\$28,500
(\$31,200 + \$4,000			(\$1,300 + \$45,000)			
+ \$300 + \$40,000)						

This accounting equation is out of balance because the complete equity balances are not shown. Net income or loss and withdrawals balances should be included in the equation.

Req. 2

<i>Credit</i>		-	<i>Debit</i>		=	<i>Net Credit</i>
REVENUES		-	EXPENSES		=	NET INCOME
\$7,600		-	\$5,100		=	\$2,500
			(\$400 + \$1,500 + \$3,000 + \$200)			

NET INCOME would represent a net *credit* because revenues (*credit* amounts) would exceed expenses (*debit* amounts).

NET LOSS would represent a net *debit* because expenses (*debit* amounts) would exceed revenues (*credit* amounts).

Req. 3

John Cassiar withdrew \$1,800 during the month.

Withdrawals are a *debit* amount.

(continued) **E2-4**

Req. 4

Increase in owner's equity (<i>credit</i> amount)	
Net income	\$2,500
Decrease in owner's equity (<i>debit</i> amount)	
Withdrawals	<u>1,800</u>
Net increase in owner's equity (<i>credit</i> amount)	<u>\$ 700</u>

(10 min.) **E2-5**

Accounts Payable	L; Cr	Cash	A; Dr
Service Revenue	R; Cr	Rent Expense	E; Dr
K. Lockyer, Withdrawals	OE; Dr	Vehicles	A; Dr
Rent Revenue	R; Cr	Note Payable	L; Cr
Accounts Receivable	A; Dr	Land	A; Dr
Insurance Expense	E; Dr	K. Lockyer, Capital	OE; Cr

(10-15 min.) **E2-6**

a. Increases

<u>Dr</u> Accounts Receivable	<u>Dr</u> Salaries Expense
<u>Cr</u> John Ladner, Capital	<u>Cr</u> Interest Payable
<u>Cr</u> Service Revenue	<u>Dr</u> Furniture

b. Decreases

<u>Dr</u> Note Payable	<u>Cr</u> Land
<u>Cr</u> Cash	<u>Dr</u> Accounts Payable
<u>Dr</u> Income Tax Payable	<u>Cr</u> Income Tax Expense

(15-20 min.) **E2-7**

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Jul. 2	Cash		10,000	
	B. Anderson, Capital			10,000
	Investment by owner.			
4	Utilities Expense		400	
	Cash			400
	Paid utilities expense.			
5	Equipment		2,100	
	Accounts Payable			2,100
	Purchased equipment on account.			
10	Accounts Receivable		2,000	
	Service Revenue			2,000
	Performed services for client on account.			
12	Cash		7,000	
	Note Payable			7,000
	Received cash in return for signing a note payable.			
19	B. Anderson, Withdrawal		500	
	Cash			500
	Owner took cash from the business.			
21	Office Supplies		800	
	Cash			800
	Paid cash for office supplies.			
27	Accounts Payable		2,100	
	Cash			2,100
	Paid off the liability incurred on July 5.			

(10-20 min.) **E2-8**

<u>Date</u>	<u>Analysis of Transactions and Journal Entries</u>			
Dec. 4	The asset Cash is increased; therefore, debit Cash. The liability Note Payable is increased; therefore, credit Note Payable.			
	Cash	20,000		
	Note Payable		20,000	
8	The asset Equipment is increased; therefore, debit Equipment. The liability Accounts Payable is increased; therefore, credit Accounts Payable.			
	Equipment	4,000		
	Accounts Payable		4,000	
12	The asset Accounts Receivable is increased; therefore, debit Accounts Receivable. The revenue Service Revenue is increased; therefore, credit Service Revenue.			
	Accounts Receivable	6,000		
	Service Revenue		6,000	
19	The asset Cash is increased; therefore, debit Cash. The asset Land is decreased; therefore, credit Land.			
	Cash	24,000		
	Land		24,000	
22	The asset Supplies is increased; therefore, debit Supplies. The asset Cash is decreased; therefore, credit Cash.			
	Supplies	1,200		
	Cash		1,200	
27	The liability Accounts Payable is decreased; therefore, debit Accounts Payable. The asset Cash is decreased; therefore, credit Cash.			
	Accounts Payable	4,000		
	Cash		4,000	

(10-25 min.) **E2-9**

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Mar. 1	Cash		15,000	
	Yula Gregore, Capital			15,000
	Investment by owner.			
1	Rent Expense		4,000	
	Cash			4,000
	Paid rent for yoga studio.			
4	Studio Supplies		4,000	
	Accounts Payable			4,000
	Purchased studio supplies on account.			
6	Cash		3,000	
	Service Revenue			3,000
	Performed services for cash.			
9	Accounts Payable		1,000	
	Cash			1,000
	Paid cash on account.			
17	Accounts Receivable		800	
	Service Revenue			800
	Performed service on account.			

(10-20 min.) **E2-10**

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
May 3	Cash		2,500	
	Liam Deresh, Capital			2,500
	Owner invested cash in the business.			
4	Rent Expense		1,100	
	Cash			1,100
	Paid one month's rent for equipment.			
6	Accounts Receivable		1,700	
	Service Revenue			1,700
	Performed DJ services on account.			
11	Equipment		600	
	Cash			600
	Purchased equipment for cash.			
14	Liam Deresh, Withdrawals		500	
	Cash			500
	Owner withdrew case for personal use.			
18	Supplies		40	
	Cash			40
	Purchased supplies for cash.			

(10-20 min.) **E2-11**
Lin's Tai Chi Retreat

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Apr. 30	Cash		7,500	
	S. Lin, Capital			7,500
	Received initial investment from owner.			
30	Supplies		275	
	Accounts Payable			275
	Purchase of supplies on account.			
30	Land		5,250	
	Cash			5,250
	Paid cash for land.			
30	Cash		1,375	
	Note Payable			1,375
	Borrowed money; signed note payable.			
30	Exercise Equipment		1,500	
	Cash			1,500
	Paid cash for equipment.			

Req. 1(20-30 min.) **E2-12**2019

- Jul. 2 Cash investment by owner
 3 Payment of rent expense
 9 Purchase of supplies on account (on credit)
 11 Service provided on account
 22 Collection on account
 25 Payment of advertising expense
 27 Payment on account
 31 Receipt of a utilities bill and recording the expense on account

Req. 2 (journal with posting references—not required)

(continued) **E2-12**

Journal				
				5
Date 2019	Account Titles and Explanations	Post. Ref.	Debit	Credit
Jul. 2	Cash	1000	5,600	
	Anisah Kaur, Capital	3000		5,600
3	Rent Expense	5600	1,400	
	Cash	1000		1,400
9	Baking Supplies	1400	54	
	Accounts Payable	2000		54
11	Accounts Receivable	1200	1,620	
	Service Revenue	4000		1,620
22	Cash	1000	280	
	Accounts Receivable	1200		280
25	Advertising Expense	5100	590	
	Cash	1000		590
27	Accounts Payable	2000	54	
	Cash	1000		54
31	Utilities Expense	5800	564	
	Accounts Payable	2000		564

Req. 2 and 3

(continued) **E2-12**

Cash #1000					
Jul.	2	5,600	Jul.	3	1,400
	22	280		25	590
				27	54
Bal.		3,836			

Accounts Receivable #1200					
Jul.	11	1,620	Jul.	22	280
Bal.		1,340			

Baking Supplies #1400					
Jul.	9	54			
Bal.		54			

Accounts Payable #2000					
Jul.	27	54	Jul.	9	54
				31	564
			Bal.		564

Anisah Kaur, Capital #3000					
			Jul.	2	5,600
			Bal.		5,600

Service Revenue #4000					
			Jul.	11	1,620
			Bal.		1,620

Advertising Expense #5100					
Jul.	25	590			
Bal.		590			

Rent Expense #5600					
Jul.	3	1,400			
Bal.		1,400			

Utilities Expense #5800					
Jul.	31	564			
Bal.		564			

(10-15 min.) **E2-13**

Req. 1

Journal					Page 6
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit	
Jul. 2	Accounts Receivable		4,000		
	Service Revenue			4,000	
	Performed energy audit on account.				
14	Cash		4,000		
	Accounts Receivable			4,000	
	Received payment for July 2 transaction.				

Req. 2

Account		Accounts Receivable	Account No. 12001			
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jul. 2		6	4,000		4,000	
14		6		4,000	0	

(15-20 min.) **E2-14**
Peterson Engineering

Req. 1

Journal					Page 18
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit	
Sep. 1	Utilities Expense		140		
	Cash			140	
	Paid monthly utilities expense.				
4	Cash		10,000		
	Note Payable			10,000	
	Borrowed cash on a note payable.				
8	Accounts Receivable		3,000		
	Service Revenue			3,000	
	Performed service on account.				
12	Equipment		2,000		
	Accounts Payable			2,000	
	Purchased equipment on account.				
24	Supplies		600		
	Cash			600	
	Purchased supplies and paid cash.				
27	Accounts Payable		2,000		
	Cash			2,000	
	Paid the September 12 liability.				

Once posting is completed, the account numbers would be entered into the Posting Reference column above.

Req. 2 and 3

(continued) **E2-14**

Cash #102			
Bal.		3,000	Sep. 1 140
Sep.	4	10,000	24 600
			27 2,000
Bal.		10,260	

Accounts Receivable #103			
Sep.	8	3,000	

Supplies #105			
Sep.	24	600	
Bal.		600	

Equipment #107			
Sep.	12	2,000	
Bal.		2,000	

Land #110			
Bal.		29,000	
Bal.		29,000	

Accounts Payable #201			
Sep.	27	2,000	Sep. 12 2,000
			Bal. 0

Note Payable #205			
			Sep. 4 10,000
			Bal. 10,000

R. Peterson, Capital #301			
			Bal. 32,000
			Bal. 32,000

Service Revenue #401			
			Sep. 8 3,000
			Bal. 3,000

Utilities Expense #501			
Sep.	1	140	
Bal.		140	

Req. 4

Total debits: \$10,260 + \$3,000 + \$600 + \$2,000 + \$29,000 + \$140 = \$45,000

Total credits: \$10,000 + \$32,000 + \$3,000 = \$45,000

(20-25 min.) **E2-15**
Yarrow Strategic Consulting

Journal					Page 9
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit	
May 2	Cash	1100	39,200		
	Office Furniture	1800	16,200		
	Florence Yarrow, Capital	3100		55,400	
	Received investment from owner.				
2	Rent Expense	5500	2,500		
	Cash	1100		2,500	
	Paid monthly rent.				
2	Office Supplies	1500	1,800		
	Accounts Payable	2100		1,800	
	Purchased supplies on account.				
15	Salaries Expense	5600	4,000		
	Cash	1100		4,000	
	Paid salary expense.				
17	Accounts Payable	2100	1,200		
	Cash	1100		1,200	
	Paid on account.				
19	Accounts Receivable	1300	69,000		
	Consulting Revenue	4100		69,000	
	Performed service on account.				
30	Florence Yarrow, Withdrawals	3200	8,000		
	Cash	1100		8,000	
	Withdrawal by owner.				

(continued) **E2-15**

Account		Cash				Account No. 1100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9	39,200		39,200 Dr	
2		J.9		2,500	36,700 Dr	
15		J.9		4,000	32,700 Dr	
17		J.9		1,200	31,500 Dr	
30		J.9		8,000	23,500 Dr	

Account		Accounts Receivable				Account No. 1300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 19		J.9	69,000		69,000 Dr	

Account		Office Supplies				Account No. 1500
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9	1,800		1,800 Dr	

Account		Office Furniture				Account No. 1800
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9	16,200		16,200 Dr	

(continued) **E2-15**

Account		Accounts Payable			Account No. 2100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9		1,800	1,800 Cr	
17		J.9	1,200		600 Cr	

Account		Florence Yarrow, Capital			Account No. 3100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9		55,400	55,400 Cr	

Account		Florence Yarrow, Withdrawals			Account No. 3200	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 30		J.9	8,000		8,000 Dr	

Account		Consulting Revenue			Account No. 4100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 19		J.9		69,000	69,000 Cr	

Account		Rent Expense			Account No. 5500	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 2		J.9	2,500		2,500 Dr	

Account		Salaries Expense			Account No. 5600	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
May 15		J.9	4,000		4,000 Dr	

Req. 1

(20-30 min.) **E2-16**
Yula's Yoga

Cash					
Mar.	1	15,000	Mar.	1	4,000
	6	3,000		9	1,000
Mar.	31	13,000			

Accounts Receivable				
Mar.	17	800		
Mar.	31	800		

Studio Supplies				
Mar.	4	4,000		
Mar.	31	4,000		

Accounts Payable					
Mar.	9	1,000	Mar.	4	4,000
			Mar.	31	3,000

Yula Gregore, Capital					
			Mar.	1	15,000
			Mar.	31	15,000

Service Revenue					
			Mar.	6	3,000
				17	800
			Mar.	31	3,800

Rent Expense				
Mar.	1	4,000		
Mar.	31	4,000		

(continued) **E2-16**

Req. 2

YULA'S YOGA		
Unadjusted Trial Balance		
March 31, 2020		
Account Title	Debit	Credit
Cash	\$13,000	
Accounts receivable	800	
Studio supplies	4,000	
Accounts payable		\$ 3,000
Yula Gregore, capital		15,000
Service revenue		3,800
Rent expense	<u>4,000</u>	_____
Total	<u>\$21,800</u>	<u>\$21,800</u>

(10-20 min.) **E2-17**

HONEY BEE APIARY		
Unadjusted Trial Balance		
December 31, 2019		
Account Title	Debit	Credit
Cash	\$13,000	
Accounts receivable	12,500	
Supplies	7,500	
Equipment	2,000	
Accounts payable		\$ 1,000
S. Shaw, capital		15,000
S. Shaw, withdrawals	5,000	
Consulting revenue		30,000
Supplies expense	6,000	
Total	<u>\$46,000</u>	<u>\$46,000</u>

(10-20 min.) **E2-18**

BOOTS CONSULTING		
Unadjusted Trial Balance		
October 31, 2020		
Account Title	Debit	Credit
Cash	\$ 30,000	
Accounts receivable	35,000	
Supplies	1,500	
Building	390,000	
Land	174,000	
Accounts payable		\$ 33,800
Note payable		270,000
M. Boots, capital		252,800
M. Boots, withdrawals	36,000	
Services revenue		164,000
Advertising expense	9,900	
Computer rental expense	2,000	
Salaries expense	36,000	
Supplies expense	3,800	
Utilities expense	<u>2,400</u>	
Total	<u>\$720,600</u>	<u>\$720,600</u>

(10-20 min.) **E2-19**

YARROW STRATEGIC CONSULTING			
Unadjusted Trial Balance			
May 31, 2020			
Account Number	Account Title	Debit	Credit
1100	Cash	\$ 23,500	
1300	Accounts receivable	69,000	
1500	Office supplies	1,800	
1800	Office furniture	16,200	
2100	Accounts payable		\$ 600
3100	Florence Yarrow, capital		55,400
3200	Florence Yarrow, withdrawals	8,000	
4100	Consulting revenue		69,000
5500	Rent expense	2,500	
5600	Salary expense	<u>4,000</u>	
	Total	<u>\$125,000</u>	<u>\$125,000</u>

(15-25 min.) **E2-20**

MIA'S MEMORIES		
Unadjusted Trial Balance		
February 28, 2020		
Account Title	Debit	Credit
Cash	\$ 3,500*	
Accounts receivable	1,500*	
Supplies	700	
Land	26,100	
Accounts payable		\$13,700*
M. Mia, capital		12,000*
Service revenue		9,600
Rent expense	900	
Salaries expense	1,600	
Utilities expense	<u>1,000*</u>	
Total	<u>\$35,300</u>	<u>\$35,300</u>

* Explanations:

Cash: $\$3,100 + \$400 = \$3,500$ Accounts receivable: $\$1,900 - \$400 = \$1,500$ Accounts payable: $\$11,400 + \$2,000 - \$200 + \$500 = \$13,700$ M. Mia, capital: $\$11,900 + \$100 = \$12,000$ Utilities expense: $\$500 + \$500 = \$1,000$

Using Excel(20-30 min.) **E2-21**

Solutions are available in a separate excel file online at MyLab Accounting.

Serial Exercise(75-80 min.) **E2-22**

Req. 1

Journal				
Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash		16,000	
	Amber Wilson, Capital			16,000
2	Rent Expense		1,200	
	Cash			1,200
3	Canoes		4,800	
	Accounts Payable			4,800
4	Office Supplies		750	
	Accounts Payable			750
7	Cash		1,400	
	Canoe Rental Revenue			1,400
13	Salaries Expense		1,500	
	Cash			1,500
15	Amber Wilson, Withdrawals		50	
	Cash			50
16	Utilities Expense		150	
	Accounts Payable			150
20	Telephone Expense		175	
	Accounts Payable			175
22	Accounts Receivable		3,000	
	Canoe Rental Revenue			3,000
26	Accounts Payable		1,000	
	Cash			1,000
28	Cash		750	
	Accounts Receivable			750
30	Amber Wilson, Withdrawals		100	
	Cash			100

Req. 1, cont.

Dec.	1	Land	85,000	
		Building	35,000	
		Amber Wilson, Capital		120,000
	1	Prepaid Rent	3,000	
		Cash		3,000
	2	Canoes	7,200	
		Note Payable		7,200
	4	Office Supplies	500	
		Accounts Payable		500
	9	Cash	4,500	
		Canoe Rental Revenue		4,500
	15	Accounts Receivable	3,500	
		Canoe Rental Revenue		3,500
	16	Cash	750	
		Unearned Revenue		750
	18	Accounts Payable	150	
		Cash		150
	18	Accounts Payable	175	
		Cash		175
	19	Accounts Payable	2,000	
		Cash		2,000
	20	Telephone Expense	325	
		Utilities Expense	295	
		Accounts Payable		620
	31	Salaries Expense	1,800	
		Cash		1,800
	31	Amber Wilson, Withdrawal	300	
		Cash		300

Req. 2 and 3

Cash			
Nov. 1	16,000	1,200	Nov. 2
Nov. 7	1,400	1,500	Nov. 13
Nov. 28	750	50	Nov. 15
Dec. 9	4,500	1,000	Nov. 26
Dec. 16	750	100	Nov. 30
		3,000	Dec. 1
		325	Dec. 18
		2,000	Dec. 19
		1,800	Dec. 31
		300	Dec. 31
Bal	12,125		

Accounts Payable			
Nov. 26	1,000	4,800	Nov. 3
Dec. 18	150	750	Nov. 4
Dec. 18	175	150	Nov. 16
Dec. 19	2,000	175	Nov. 20
		500	Dec. 4
		620	Dec. 20
		3,670	Bal

Accounts Receivable			
Nov. 22	3,000	750	Nov. 28
Dec. 15	3,500		
Bal	5,750		

Office Supplies	
Nov. 4	750
Dec. 4	500
Bal	1,250

Prepaid Rent	
Dec. 1	3,000
Bal	3,000

Unearned Revenue		
	750	Dec. 16
	750	Bal

Land	
Dec. 1	85,000
Bal	85,000

Note Payable		
	7,200	Dec. 2
	7,200	Bal

Building	
Dec. 1	35,000
Bal	35,000

Amber Wilson, Capital		
	16,000	Nov. 1
	120,000	Dec. 1
	136,000	Bal

Canoes	
Nov. 3	4,800
Dec. 2	7,200
Bal	12,000

Amber Wilson, Withdrawals		
Nov. 15	50	
Nov. 30	100	
Dec. 31	300	
Bal	450	

Canoe Rental Revenue

	1,400	Nov. 7
	3,000	Nov. 22
	4,500	Dec. 9
	3,500	Dec. 15
	12,400	Bal

Rent Expense

Nov. 2	1,200	
Bal	1,200	

Salaries Expense

Nov. 13	1,500	
Dec. 31	1,800	
Bal	3,300	

Utilities Expense

Nov. 16	150	
Dec. 20	295	
Bal	445	

Telephone Expense

Nov. 20	175	
Dec. 20	325	
Bal	500	

Req. 4

CANYON CANOE COMPANY		
Unadjusted Trial Balance		
December 31, 2020		
Account Title	Debit	Credit
Cash	\$ 12,125	
Accounts receivable	5,750	
Office supplies	1,250	
Prepaid rent	3,000	
Land	85,000	
Building	35,000	
Canoes	12,000	
Accounts payable		\$ 3,670
Unearned revenue		750
Note payable		7,200
Amber Wilson, capital		136,000
Amber Wilson, withdrawals	450	
Canoe rental revenue		12,400
Rent expense	1,200	
Salaries expense	3,300	
Utilities expense	445	
Telephone expense	500	
Total	<u>\$160,020</u>	<u>\$160,020</u>

Req. 5

CANYON CANOE COMPANY		
Income Statement		
For the Two Months Ended December 31, 2020		
Revenue		
Canoe rental revenue		\$12,400
Expenses		
Rent expense	\$1,200	
Salaries expense	3,300	
Utilities expense	445	
Telephone expense	500	
Total expenses		<u>5,445</u>
Net income		<u>\$ 6,955</u>

Req. 6

CANYON CANOE COMPANY	
Statement of Owner's Equity	
For the Two Months Ended December 31, 2020	
Amber Wilson, capital, November 1, 2020	\$ 0
Add: Investment by owner	136,000
Net income for the two months	<u>6,955</u>
	142,955
Less: Withdrawals by owner	<u>(450)</u>
Amber Wilson, capital, December 31, 2020	<u>\$142,505</u>

Req. 7

CANYON CANOE COMPANY			
Balance Sheet			
December 31, 2020			
Assets		Liabilities	
Cash	\$ 12,125	Accounts payable	\$ 3,670
Accounts receivable	5,750	Unearned revenue	750
Office supplies	1,250	Note payable	<u>7,200</u>
Prepaid rent	3,000	Total liabilities	11,620
Land	85,000		
Building	35,000	Owner's Equity	
Canoes	<u>12,000</u>	Amber Wilson, capital	<u>142,505</u>
Total assets	<u>\$154,125</u>	Total liabilities and owner's equity	<u>\$154,125</u>

Practice Set(20-30 min.) **E2-23**

Req. 1

Journal				
Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Nov. 1	Cash		15,000	
	Truck		3,000	
	A. Hideaway, Capital			18,000
2	Prepaid Rent		4,000	
	Cash			4,000
3	Prepaid Insurance		4,800	
	Cash			4,800
4	Cleaning Supplies		320	
	Accounts Payable			320
5	Equipment		1,500	
	Accounts Payable			1,500
7	Equipment		3,900	
	Cash			3,900
9	Accounts Receivable		4,700	
	Service Revenue			4,700
10	Cash		200	
	Accounts Receivable			200
15	Salaries Expense		400	
	Cash			400
16	Cash		15,000	
	Unearned Revenue			15,000
17	Cash		400	
	Service Revenue			400
18	Utilities Expense		175	
	Accounts Payable			175
20	Cash		36,000	
	Note Payable			36,000

(continued) **E2-23**

Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Nov. 21	Cash		500	
	Accounts Receivable			500
25	Accounts Payable		750	
	Cash			750
29	Advertising Expense		200	
	Cash			200
30	A. Hideaway, Withdrawals		1,400	
	Cash			1,400

Req. 2 and 3

Nov. 1	15,000	4,000	Nov. 2
Nov. 10	200	4,800	Nov. 3
Nov. 16	15,000	3,900	Nov. 7
Nov. 17	400	400	Nov. 15
Nov. 20	36,000	750	Nov. 25
Nov. 21	500	200	Nov. 29
		1,400	Nov. 30
Bal	51,650		

Nov. 25	750	320	Nov. 4
		1,500	Nov. 5
		175	Nov. 18
		1,245	Bal

Nov. 9	4,700	200	Nov. 10
		500	Nov. 21
Bal	4,000		

	15,000	Nov. 16
	15,000	Bal

Nov. 4	320
Bal	320

	36,000	Nov. 20
	36,000	Bal

Nov. 2	4,000
Bal	4,000

	18,000	Nov. 1
	18,000	Bal

Nov. 3	4,800
Bal	4,800

Nov. 30	1,400	
Bal	1,400	

(continued) **E2-23**

Req. 2 and 3

Equipment		Service Revenue	
Nov. 5	1,500	4,700	Nov. 9
Nov. 7	3,900	400	Nov. 17
Bal	5,400	5,100	Bal

Truck		Salaries Expense	
Nov. 1	3,000	Nov. 15	400
Bal	3,000	Bal	400

Advertising Expense	
Nov. 29	200
Bal	200

Utilities Expense	
Nov. 18	175
Bal	175

Req. 4

CRYSTAL CLEAR CLEANING		
Unadjusted Trial Balance		
November 30, 2019		
Account Title	Debit	Credit
Cash	\$51,650	
Accounts receivable	4,000	
Cleaning supplies	320	
Prepaid rent	4,000	
Prepaid insurance	4,800	
Equipment	5,400	
Truck	3,000	
Accounts payable		\$ 1,245
Unearned revenue		15,000
Note payable		36,000
A. Hideaway, capital		18,000
A. Hideaway, withdrawals	1,400	
Service revenue		5,100
Salaries expense	400	
Advertising expense	200	
Utilities expense	175	
Total	<u>\$75,345</u>	<u>\$75,345</u>

Challenge Exercises

(30-50 min.) **E2-24**

- a. Net income for March - Given as follows:

B. Fergus, Capital			
March withdrawals	640	Feb. 28 bal.	1,440
		March net income	X
		Mar. 31 bal.	2,400

= \$1,600

$$\begin{aligned} \$1,440 + X - \$640 &= \$2,400 \\ X &= \$1,600 \end{aligned}$$

- b. Total cash paid during March:

Cash			
Feb. 28 bal.	1,800	March payments	X
March receipts	10,720		
Mar. 31 bal.	1,640		

= \$10,880

$$\begin{aligned} \$1,800 + \$10,720 - X &= \$ 1,640 \\ X &= \$10,880 \end{aligned}$$

(continued) **E2-24**

c. Cash collections from customers during March:

Accounts Receivable			
Feb. 28 bal.	3,840		
March sales on account	12,160	March collections	X
Mar. 31 bal.	6,160		= \$9,840

$$\begin{aligned}
 \$3,840 + \$12,160 - X &= \$6,160 \\
 X &= \$9,840
 \end{aligned}$$

d. Payments on account during March:

Accounts Payable			
		Feb. 28 bal.	2,080
March payments on account	X	March purchases on account	508
		Mar. 31 bal.	2,560

X = \$28

$$\begin{aligned}
 \$2,080 + \$508 - X &= \$2,560 \\
 X &= \$ 28
 \end{aligned}$$

Req. 1 and 2

(20-30 min.) **E2-25**

Effect on Trial Balance	Account(s) Misstated	Relevant Journal Entries (Not Required)			
a. Total debits > Total credits	Note Payable \$5,000 too low on the trial balance only	a. Entry made (correct):	Cash Note Payable	5,000	5,000
b. Total debits = Total credits	Supplies \$90 too high	b. Entry made:	Supplies Accounts Payable	430	430
	Accounts Payable \$90 too high (\$430 - \$340 = \$90)	Correct entry:	Supplies Accounts Payable	340	340
c. Total debits = Total credits	Supplies \$200 too high	c. Entry made:	Supplies Cash	200	200
	Accounts Payable \$200 too high	Correct entry:	Accounts Payable Cash	200	200
d. Total debits < Total credits	Cash \$450 too low	d. Entry made:	Cash Service Revenue	50	500
		Correct entry:	Cash Service Revenue	500	500
e. Total debits < Total credits	Utility Expense \$900 too low (\$1,000 - \$100 = \$900)	e. Entry made (correct):	Utility Expense Cash	1,000	1,000

Instructional Note: Presentation of answers may vary.

Beyond the Numbers

(15-20 min.) **BN2-1**

Balance Sheet Accounts

ASSETS

Cash
 Accounts receivable
 Repair supplies
 Office supplies
 Repair equipment
 Office equipment

LIABILITIES

Accounts payable
 Note payable

OWNER'S EQUITY

Stan Raza, capital
 Stan Raza, withdrawals

Income Statement Accounts

REVENUES

Service revenue—mountain bike repairs
 Service revenue—road bike repairs
 Service revenue—tandem bike repairs

EXPENSES

Advertising expense

 Insurance expense
 Office supplies expense
 Repair supplies expense
 Rent expense
 Salaries expense
 Utilities expense

Instructional Note: Some instructors may wish to use this exercise to introduce the Prepaid Insurance, Accumulated Amortization, Amortization Expense, Salaries Payable, and other liability accounts.

Ethical Issue**EI2-1**

Is Associated Charities Trust taking advantage of the bank's generosity or the other users of the charity?

Students who approve of the Associated Charities action can point out that the bank allows Associated Charities to overdraw its cash balance. In this view, Associated Charities is merely using a privilege the bank has granted. Most banks are civic-minded and are relatively generous with charitable organizations.

Students who disapprove may argue that Associated Charities is using the bank's money and presumably incurring interest charges. In this view, Associated Charities should curtail its spending until it has the money to cover its expenditures and maintain a positive balance. Alternatively, Associated Charities could sign a note payable to borrow the needed money. The related interest is the bank's compensation. By incurring this interest, the charity is essentially using future donations to pay the cost.

The bank is the key player in this case. Whether the bank approves or disapproves of the Associated Charities overdrafts is critical to the ethical decision. Approval by the bank turns the overdrafts into an unsecured loan to Associated Charities. Disapproval by the bank would no doubt be communicated to Mr. Glowa.

The other users (volunteers, recipients, donors, etc.) could also lose if the charity ends up in financial trouble.

Steps used to analyze ethical dilemmas:

1. Recognize an ethical situation and the ethical issues involved.
2. Identify and analyze the principal elements in the situation.
3. Identify the alternatives, and weigh the impact of each alternative on various users.

Problems

Group A

Req. 1 (transaction analysis)

(20-30 min.) **P2-1A**
 Baycrest Cinema Company

<u>Date</u>	<u>Analysis of Transactions</u>
2019	
Nov. 1	Given in the problem; not required for Nov. 1 transaction.
1	The expense Rent Expense is increased. Increases in expenses are recorded by debits; therefore, debit Rent Expense. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
2	The asset Land is increased. Increases in assets are recorded by debits; therefore, debit Land. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
5	The asset Cash is increased. Increases in assets are recorded by debits; therefore, debit Cash. The liability Note Payable is increased. Increases in liabilities are recorded by credits; therefore, credit Note Payable.
10	The asset Supplies is increased. Increases in assets are recorded by debits; therefore, debit Supplies. The liability Accounts Payable is increased. Increases in liabilities are recorded by credits; therefore, credit Accounts Payable.
16	The expense Salaries Expense is increased. Increases in expenses are recorded by debits; therefore, debit Salaries Expense. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
22	The liability Accounts Payable is decreased. Decreases in liabilities are recorded by debits; therefore, debit Accounts Payable. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
28	The owner's equity of the business is decreased. Decreases in owner's equity are recorded by debits. Decreases due to withdrawals are debited to the withdrawals account; therefore, debit Darrell Palusky, Withdrawals. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
29	The expense Property Tax Expense is increased. Increases in expenses are recorded by debits; therefore, debit Property Tax Expense. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
30	The asset Cash is increased. Increases in assets are recorded by debits; therefore, debit Cash.

The revenue Service Revenue is increased. Increases in revenues are recorded by credits; therefore, credit Service Revenue.

(continued) **P2-1A**

Req. 2 (journal entries)

Baycrest Cinema Company

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Nov. 1	Cash		350,000	
	Darrell Palusky, Capital			350,000
	Investment in the business by the owner.			
1	Rent Expense		6,000	
	Cash			6,000
	Paid November rent on a theatre building.			
2	Land		320,000	
	Cash			320,000
	Purchased land for a theatre site.			
5	Cash		220,000	
	Note Payable			220,000
	Borrowed from the bank on a note payable.			
10	Supplies		1,000	
	Accounts Payable			1,000
	Purchased theatre supplies on account.			
16	Salaries Expense		2,900	
	Cash			2,900
	Paid cash for salaries.			
22	Accounts Payable		600	
	Cash			600
	Made payment on account.			
28	Darrell Palusky, Withdrawals		8,000	
	Cash			8,000
	Owner withdrew cash from the company.			
29	Property Tax Expense		1,400	
	Cash			1,400
	Paid property tax on the land for the new theatre.			
30	Cash		20,000	
	Service Revenue			20,000
	Receive cash for services provided.			

(20-25 min.) **P2-2A**

Req. 1

Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
July 1	Cash		63,000	
	V. York, Capital			63,000
5	Rent Expense		510	
	Cash			510
9	Land		23,000	
	Cash			23,000
10	Office Supplies		1,600	
	Accounts Payable			1,600
19	Cash		22,000	
	Note Payable			22,000
22	Accounts Payable		1,100	
	Cash			1,100
28	Advertising Expense		240	
	Accounts Payable			240
31	Cash		6,400	
	Accounts Receivable		6,000	
	Service Revenue			12,400
31	Salaries Expense		2,200	
	Rent Expense		1,900	
	Utilities Expense		560	
	Cash			4,660
31	Cash		1,120	
	Unearned Revenue			1,120
31	V. York, Withdrawals		7,200	
	Cash			7,200

(25-30 min.) **P2-3A**

WeReDolt Construction

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Sep. 3	Cash		72,000	
	Z. Slipewicz, Capital			72,000
	Owner deposited a cheque to start the business.			
4	Supplies		600	
	Furniture		4,400	
	Accounts Payable			5,000
	Purchased supplies and furniture on account.			
5	Rent Expense		1,500	
	Cash			1,500
	Paid rent for September.			
6	Cash		2,400	
	Service Revenue			2,400
	Performed design services and received cash.			
7	Land		44,000	
	Cash			44,000
	Purchased land for future office site.			
10	Accounts Receivable		5,800	
	Service Revenue			5,800
	Designed a bathroom, billed it on account.			
14	Accounts Payable		4,400	
	Cash			4,400
	Paid for September 4 furniture purchase.			
15	Salaries Expense		940	
	Cash			940
	Paid assistant's salary.			
17	Cash		3,400	
	Accounts Receivable			3,400
	Received cash on account.			
22	Cash		5,000	
	Service Revenue			5,000
	Received cash for cottage renovation.			

(continued) **P2-3A**

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Sep. 25	Accounts Receivable		1,600	
	Service Revenue			1,600
	Prepared a design for a customer on account.			
30	Salaries Expense		940	
	Cash			940
	Paid assistant's salary.			
30	Z. Slipewicz, Withdrawals		5,600	
	Cash			5,600
	Owner withdrawal of cash from the company.			

Req. 1 (journal entries)

(45-60 min.) **P2-4A**

Kiki's Jewellery Repair

Journal				
				PAGE 3
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Mar. 4	Cash	1100	600	
	Accounts Receivable	1200		600
	Received cash on account.			
8	Accounts Receivable	1200	580	
	Service Revenue	5000		580
	Performed service on account.			
13	Accounts Payable	2000	320	
	Cash	1100		320
	Paid on account.			
18	Supplies	1300	120	
	Accounts Payable	2000		120
	Purchased supplies on account.			
20	K. Kalani, Withdrawals	3100	200	
	Cash	1100		200
	Withdrawal for personal use.			
21	Verbal promise only; not a transaction of the business.			
22	Cash	1100	620	
	Service Revenue	5000		620
	Performed service for cash.			
31	Salaries Expense	6200	1,300	
	Cash	1100		1,300
	Paid employee salaries.			

Req. 2 and 3 (ledger accounts)

(continued) **P2-4A**

Account		Cash				Account No. 1100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			4,000 (Dr)	
Mar. 4		J.3	600		4,600 (Dr)	
13		J.3		320	4,280 (Dr)	
20		J.3		200	4,080 (Dr)	
22		J.3	620		4,700 (Dr)	
31		J.3		1,300	3,400 (Dr)	

Account		Accounts Receivable				Account No. 1200
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			16,000 (Dr)	
Mar. 4		J.3		600	15,400 (Dr)	
8		J.3	580		15,980 (Dr)	

Account		Supplies				Account No. 1300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			3,600 (Dr)	
Mar. 18		J.3	120		3,720 (Dr)	

Account		Equipment				Account No. 1600
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			37,200 (Dr)	

Account		Accounts Payable				Account No. 2000
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			8,000 (Cr)	
Mar. 13		J.3	320		7,680 (Cr)	
18		J.3		120	7,800 (Cr)	

Req. 2 and 3 (ledger accounts)

(continued) **P2-4A**

Account		K. Kalani, Capital			Account No. 3000	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			50,000 (Cr)	

Account		K. Kalani, Withdrawals			Account No. 3100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			4,400 (Dr)	
Mar. 20		J.3	200		4,600 (Dr)	

Account		Service Revenue			Account No. 5000	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			16,400 (Cr)	
Mar. 8		J.3		580	16,980 (Cr)	
22		J.3		620	17,600 (Cr)	

Account		Rent Expense			Account No. 6100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			2,000 (Dr)	

Account		Salaries Expense			Account No. 6200	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Feb. 29	Bal.	✓			7,200 (Dr)	
Mar. 31		J.3	1,300		8,500 (Dr)	

Req. 1

(40-50 min.) **P2-5A**

Vaillancourt Management

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Jun. 1	Cash	1100	20,000	
	Land	1800	60,000	
	Building	1700	120,000	
	Sophie Vaillancourt, Capital	3100		200,000
	Received investment by owner.			
3	Office Supplies	1400	2,600	
	Accounts Payable	2100		2,600
	Purchased supplies on account.			
4	Office Furniture	1500	15,000	
	Cash	1100		15,000
	Purchased furniture.			
12	Salaries Expenses	5500	2,200	
	Cash	1100		2,200
	Paid salary.			
15	Accounts Receivable	1300	12,100	
	Service Revenue	4100		12,100
	Performed service on account.			
22	Accounts Payable	2100	800	
	Cash	1100		800
	Paid on account			
24	Advertising Expense	5100	2,000	
	Accounts Payable	2100		2,000
	Received advertising bill.			
25	Cash	1100	5,600	
	Service Revenue	4100		5,600
	Performed services and received cash.			

Req. 1

(continued) **P2-5A**

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
26	Cash	1100	2,400	
	Accounts Receivable	1300		2,400
	Collected cash on account.			
29	Equipment Rental Expense	5300	1,700	
	Cash	1100		1,700
	Paid equipment rental expense.			
29	Utilities Expense	5700	400	
	Cash	1100		400
	Paid utilities expense.			
30	Sophie Vaillancourt, Withdrawals	3200	6,500	
	Cash	1100		6,500
	Withdrawal by owner.			

Req. 2 and 3

(continued) **P2-5A**

Account		Cash				Account No. 1100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 1			20,000		20,000 Dr	
4				15,000	5,000 Dr	
12				2,200	2,800 Dr	
22				800	2,000 Dr	
25			5,600		7,600 Dr	
26			2,400		10,000 Dr	
29				1,700	8,300 Dr	
29				400	7,900 Dr	
30				6,500	1,400Dr	

Account		Accounts Receivable				Account No. 1300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 15			12,100		12,100 Dr	
26				2,400	9,700 Dr	

Account		Office Supplies				Account No. 1400
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 3			2,600		2,600 Dr	

Account		Office Furniture				Account No. 1500
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 4			15,000		15,000 Dr	

Req. 2 and 3

(continued) **P2-5A**

Account		Building				Account No. 1700
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 1			120,000		120,000 Dr	

Account		Land				Account No. 1800
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 1			60,000		60,000 Dr	

Account		Accounts Payable				Account No. 2100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 3				2,600	2,600 Cr	
22			800		1,800 Cr	
24				2,000	3,800 Cr	

Account		Sophie Vaillancourt, Capital				Account No. 3100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 1				200,000	200,000 Cr	

Account		Sophie Vaillancourt, Withdrawals				Account No. 3200
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 30			6,500		6,500 Dr	

(continued) **P2-5A**

Account		Service Revenue				Account No. 4100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 15				12,100	12,100 Cr	
25				5,600	17,700 Cr	

Account		Advertising Expense				Account No. 5100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 24			2,000		2,000 Dr	

Account		Equipment Rental Expense				Account No. 5300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 29			1,700		1,700 Dr	

Account		Salaries Expense				Account No. 5500
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 12			2,200		2,200 Dr	

Account		Utilities Expense				Account No. 5700
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Jun. 29			400		400 Dr	

(continued) **P2-5A**

Req. 4

VAILLANCOURT MANAGEMENT			
Unadjusted Trial Balance			
June 30, 2020			
Account Number	Account Title	Debit	Credit
1100	Cash	\$ 1,400	
1300	Accounts receivable	9,700	
1400	Office supplies	2,600	
1500	Office furniture	15,000	
1700	Building	120,000	
1800	Land	60,000	
2100	Accounts payable		\$ 3,800
3100	Sophie Vaillancourt, capital		200,000
3200	Sophie Vaillancourt, withdrawals	6,500	
4100	Service revenue		17,700
5100	Advertising expense	2,000	
5300	Equipment rental expense	1,700	
5500	Salaries expense	2,200	
5700	Utilities expense	400	
	Total	<u>\$221,500</u>	<u>\$221,500</u>

(15-20 min.) **P2-6A**

A-PLUS TRAVEL PLANNERS		
Unadjusted Trial Balance		
June 30, 2020		
Account Title	Debit	Credit
Cash	\$ 2,900	
Accounts receivable	10,270	
Supplies	1,300	
Office furniture	3,600	
Land	44,600	
Accounts payable		\$ 4,200
Note payable		23,000
R. Minter, capital		32,500
R. Minter, withdrawals	2,900	
Consulting service revenue		10,300
Advertising expense	600	
Rent expense	1,400	
Salaries expense	2,100	
Utilities expense	<u>330</u>	
Total	<u>\$70,000</u>	<u>\$70,000</u>

Explanations:

Cash: $\$1,600 + \$1,300 = \$2,900$ Accounts receivable: $\$10,000 - \$30 + \$300 = \$10,270$ Supplies: $\$900 + \$400 = \$1,300$ Land: $\$44,600$ (amount given)Accounts payable: $\$3,800 + \$400 = \$4,200$ R. Minter, capital: $\$31,600 + \$900 = \$32,500$ R. Minter, withdrawals: $\$2,000 + \$900 = \$2,900$ Consulting service revenue: $\$7,300 + \$3,000 = \$10,300$ Advertising expense: $\$600$ (amount given)Rent expense: $\$1,000 + \$200 + \$200 = \$1,400$ Utilities expense: $\$410 - \$80 = \$330$

(45-50 min.) **P2-7A**
Canada-Wide Movers

Req. 1

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Dec. 17	Accounts Receivable		4,600	
	Moving Fees Income			4,000
	Storage Fees Income			600
	Earned moving fees and one month's storage fees on account.			
18	Cash		16,800	
	Note Receivable			15,000
	Interest Income			1,800
	Collected a note receivable and the related interest income.			
19	H. Martinez, Withdrawals		400	
	Cash			400
	To record payment of hydro bill belonging to H. Martinez.			
21	Storage Equipment		12,000	
	Cash			3,600
	Moving Fees Income			1,500
	Accounts Payable			6,900
	Purchased storage racks and paid for them partly with cash, moving fees provided, and the remainder on Accounts Payable.			
23	Cash		3,000	
	Accounts Receivable			2,600
	Storage Fees Income			400
	To record cash collected on account and for storage fees.			
24	Mortgage Payable		18,000	
	Cash			18,000
	To record cash payment on the mortgage.			
27	H. Martinez, Withdrawals		5,000	
	Cash			5,000
	To record owner withdrawal of cash.			

(continued) **P2-7A**

Canada-Wide Movers

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Dec. 29	Cash		1,500	
	Legal Expense		900	
	Moving Fees Income			2,400
	Moving services provided for cash and \$900 of legal work.			
31	No Entry			

(continued) **P2-7A**
Canada-Wide Movers

Req. 2 and 3

Cash					
Dec.	15	17,200	Dec.	19	400
	18	16,800		21	3,600
	23	3,000		24	18,000
	29	1,500		27	5,000
Bal.		11,500			

Accounts Receivable					
Dec.	15	7,400	Dec.	23	2,600
	17	4,600			
Bal.		9,400			

Note Receivable					
Dec.	15	45,000	Dec.	18	15,000
Bal.		30,000			

Office Supplies					
Dec.	15	9,600			

Office Equipment					
Dec.	15	12,300			

Moving Equipment					
Dec.	15	132,200			

Storage Equipment					
Dec.	15	12,000			

Accounts Payable					
			Dec.	15	33,000
				21	6,900
Bal.			39,900		

Mortgage Payable					
Dec.	24	18,000	Dec.	15	39,000
Bal.			21,000		

H. Martinez, Capital					
			Dec.	15	53,000

H. Martinez, Withdrawals					
Dec.	19	400			
	27	5,000			
Bal.		5,400			

Moving Fees Income					
			Dec.	15	259,800
				17	4,000
				21	1,500
				29	2,400
Bal.			267,700		

Storage Fees Income					
			Dec.	15	57,900
				17	600
				23	400
Bal.			58,900		

Interest Income					
			Dec.	18	1,800

(continued) **P2-7A**
Canada-Wide Movers

Req. 2 and 3 (continued)

Insurance Expense		
Dec.	15	6,300

Legal Expense		
Dec.	29	900

Office Supplies Expense		
Dec.	15	2,100

Rent Expense		
Dec.	15	47,100

Salaries Expense		
Dec.	15	161,100

Utilities Expense		
Dec.	15	2,400

(continued) **P2-7A**

Req. 4

CANADA-WIDE MOVERS		
Unadjusted Trial Balance		
December 31, 2020		
Account Title	Debit	Credit
Cash	\$ 11,500	
Accounts receivable	9,400	
Note receivable	30,000	
Office supplies	9,600	
Office equipment	12,300	
Moving equipment	132,200	
Storage equipment	12,000	
Accounts payable		\$ 39,900
Mortgage payable		21,000
H. Martinez, capital		53,000
H. Martinez, withdrawals	5,400	
Moving fees income		267,700
Storage fees income		58,900
Interest earned		1,800
Insurance expense	6,300	
Legal expense	900	
Office supplies expense	2,100	
Rent expense	47,100	
Salaries expense	161,100	
Utilities expense	<u>2,400</u>	
Total	<u>\$442,300</u>	<u>\$442,300</u>

Problems

Group B

Req. 1 (transaction analysis)

(20-30 min.) **P2-1B**

Yuan Research

<u>Date</u>	<u>Analysis of Transactions</u>
2020	
Apr. 1	Given in the problem; not required for Apr. 1 transaction.
5	The expense Office Rent Expense is increased. Increases in expenses are recorded by debits; therefore, debit Office Rent Expense. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
10	The asset Supplies is increased. Increases in assets are recorded by debits; therefore, debit Supplies. The liability Accounts Payable is increased. Increases in liabilities are recorded by credits; therefore, credit Accounts Payable.
19	The liability Accounts Payable is decreased. Decreases in liabilities are recorded by debits; therefore, debit Accounts Payable. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
21	The asset Land is increased. Increases in assets are recorded by debits; therefore, debit Land. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.
22	The asset Cash is increased. Increases in assets are recorded by debits; therefore, debit Cash. The liability Note Payable is increased. Increases in liabilities are recorded by credits; therefore, credit Note Payable.
30	The expenses Salaries Expense and Utilities Expense are increased. Increases in expenses are recorded by debits; therefore, debit Salaries Expense and Utilities Expense. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash for the sum of the three debit amounts.
30	The assets Cash and Accounts Receivable are increased. Increases in assets are recorded by debits; therefore, debit Cash and Accounts Receivable. The revenue Service Revenue is increased. Increases in revenues are recorded by credits; therefore, credit Service Revenue for the sum of the debits to Cash and Accounts Receivable.
30	The owner's equity of the business is decreased. Decreases in owner's equity are recorded by debits. Decreases due to withdrawals by the owner are debited to the owner, withdrawals account; therefore, debit G. Yuan, Withdrawals. The asset Cash is decreased. Decreases in assets are recorded by credits; therefore, credit Cash.

Req. 2 (journal entries)

(continued) **P2-1B**

Journal					Page 1
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit	
Apr. 1	Cash		40,000		
	G. Yuan, Capital			40,000	
	Initial investment by owner in the business.				
5	Office Rent Expense		400		
	Cash			400	
	Paid the month's rental for shared office space.				
10	Supplies		600		
	Accounts Payable			600	
	Purchased supplies on account.				
19	Accounts Payable		100		
	Cash			100	
	Paid for some of the supplies purchased on April 10.				
22	Land		25,000		
	Cash			25,000	
	Purchased land for an office site.				
22	Cash		15,000		
	Note Payable			15,000	
	Borrowed from the bank with a note payable.				
30	Salaries Expense		3,500		
	Utilities Expense		350		
	Cash			3,850	
	Paid expenses with cash.				
30	Cash		1,300		
	Accounts Receivable		2,400		
	Service Revenue			3,700	
	Revenues earned during the month.				
30	G. Yuan, Withdrawals		1,200		
	Cash			1,200	
	Cash withdrawal by owner.				

(20-25 min.) **P2-2B**

Date	Account Titles and Explanations	Post. Ref.	Debit	Credit
Mar. 1	Cash		62,000	
	V. Yang, Capital			62,000
5	Rent Expense		570	
	Cash			570
9	Land		14,000	
	Cash			14,000
10	Office Supplies		1,500	
	Accounts Payable			1,500
19	Cash		27,000	
	Note Payable			27,000
22	Accounts Payable		1,400	
	Cash			1,400
28	Advertising Expense		220	
	Accounts Payable			220
31	Cash		6,700	
	Accounts Receivable		5,800	
	Service Revenue			12,500
31	Salaries Expense		2,100	
	Rent Expense		1,500	
	Utilities Expense		350	
	Cash			3,950
31	Cash		1,000	
	Unearned Revenue			1,000
31	V. Yang, Withdrawals		7,100	
	Cash			7,100

Jameson Translation Services

(25-30 min.) **P2-3B**

Journal				
				Page 1
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Jan. 2	Cash		60,000	
	Scott Jameson, Capital			60,000
	Initial investment in business by the owner.			
3	Supplies		750	
	Furniture		2,800	
	Accounts Payable			3,550
	Purchased supplies and furniture on account.			
3	Rent Expense		1,100	
	Cash			1,100
	Paid rent for January.			
4	Cash		2,250	
	Translation Revenue			2,250
	Performed translation services for cash.			
7	Land		38,000	
	Cash			38,000
	Acquired land for future office site.			
11	Accounts Receivable		1,200	
	Translation Revenue			1,200
	Performed translation services on account.			
15	Salaries Expense		975	
	Cash			975
	Paid salary of the office manager.			
16	Accounts Payable		2,800	
	Cash			2,800
	Paid for furniture purchased on January 3.			
18	Cash		600	
	Accounts Receivable			600
	Received partial payment on client account.			
19	Accounts Receivable		11,350	
	Translation Revenue			11,350
	Performed translation services on account.			
22	Utilities Expense		300	
	Cash			300
	Paid water and electricity bills.			

(continued) **P2-3B**

Journal					Page 2
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit	
Jan. 29	Cash		2,700		
	Translation Revenue			2,700	
	Performed translation services for cash.				
31	Salaries Expense		975		
	Cash			975	
	Paid the office manager's salary.				
31	Scott Jameson, Withdrawals		12,000		
	Cash			12,000	
	Owner withdrew cash for personal use.				

Req. 1 (journal entries)

(45-60 min.) **P2-4B**

Blog4U

Page 6

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Nov. 16	Cash	1100	6,000	
	Accounts Receivable	1200		6,000
	Received on account.			
17	Accounts Receivable	1200	2,100	
	Service Revenue	5000		2,100
	Performed services on account.			
21	Accounts Payable	2100	2,600	
	Cash	1100		2,600
	Paid on account.			
22	Computer Supplies	1300	4,600	
	Accounts Payable	2100		4,600
	Purchased computer supplies on account.			
23	B. Singh, Withdrawals	4100	2,100	
	Cash	1100		2,100
	Withdrew funds for personal use.			
24	Not a business transaction.			
26	Cash	1100	11,900	
	Service Revenue	5000		11,900
	Performed service for cash.			
30	Salaries Expense	6100	2,700	
	Cash	1100		2,700
	Paid employee salaries.			

Req. 2 (ledger accounts)

(continued) **P2-4B**
Blog 4 U

Account		Cash			Account No. 1100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance
Nov. 15	Bal.	✓			16,000 (Dr)
16		J.6	6,000		22,000 (Dr)
21		J.6		2,600	19,400 (Dr)
23		J.6		2,100	17,300 (Dr)
26		J.6	11,900		29,200 (Dr)
30		J.6		2,700	26,500 (Dr)

Account		Accounts Receivable			Account No. 1200
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance
Nov. 15	Bal.	✓			16,000 (Dr)
16		J.6		6,000	10,000 (Dr)
17		J.6	2,100		12,100 (Dr)

Account		Computer Supplies			Account No. 1300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance
Nov. 15	Bal.	✓			1,200 (Dr)
22		J.6	4,600		5,800 (Dr)

Account		Equipment			Account No. 1900
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance
Nov. 15	Bal.	✓			70,000 (Dr)

Account		Accounts Payable			Account No. 2100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance
Nov. 15	Bal.	✓			9,200 (Cr)
21		J.6	2,600		6,600 (Cr)
22		J.6		4,600	11,200 (Cr)

Req. 2 (ledger accounts)

(continued) **P2-4B**

Account		B. Singh, Capital			Account No. 4000	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Nov. 15	Bal.	✓			90,000 (Cr)	

Account		B. Singh, Withdrawals			Account No. 4100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Nov. 15	Bal.	✓			4,600 (Dr)	
23		J.6	2,100		6,700 (Dr)	

Account		Service Revenue			Account No. 5000	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Nov. 15	Bal.	✓			14,200 (Cr)	
17		J.6		2,100	16,300 (Cr)	
26		J.6		11,900	28,200 (Cr)	

Account		Rent Expense			Account No. 6000	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Nov. 15	Bal.	✓			2,000 (Dr)	

Account		Salaries Expense			Account No. 6100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Nov. 15	Bal.	✓			3,600 (Dr)	
30		J.6	2,700		6,300(Dr)	

Req. 1

(40-50 min.) **P2-5B**

International Catering

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Oct. 2	Cash	1100	50,000	
	Food Truck	1700	26,000	
	H. Malik, Capital	3100		76,000
	Received investment by owner.			
6	Food Service Equipment	1600	8,000	
	Cash	1100		8,000
	Purchased equipment.			
7	Supplies	1500	14,800	
	Accounts Payable	2100		14,800
	Purchased supplies on account.			
17	Cash	1100	4,000	
	Service Revenue	4100		4,000
	Catered an event and received cash.			
18	Accounts Receivable	1300	8,600	
	Service Revenue	4100		8,600
	Catered an event on account.			
19	Salaries Expense	5800	2,600	
	Cash	1100		2,600
	Paid salary.			
24	Accounts Payable	2100	12,000	
	Cash	1100		12,000
	Paid part of October 7 account.			
26	Advertising Expense	5100	1,600	
	Accounts Payable	2100		1,600
	Received advertising bill.			

Req. 1

(continued) **P2-5B**

International Catering

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Oct. 28	Cash	1100	2,200	
	Accounts Receivable	1300		2,200
	Collected cash on account.			
29	Rent Expense	5700	3,000	
	Cash	1100		3,000
	Paid rent expense.			
29	Insurance Expense	5500	1,600	
	Cash			1,600
	Paid insurance expense			
31	H. Malik, Withdrawals	3200	12,000	
	Cash	1100		12,000
	Withdrawal by owner.			

Req. 2 and 3

(continued) **P2-5B**
International Catering

Account		Cash				Account No. 1100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 2			50,000		50,000 Dr	
6				8,000	42,000 Dr	
17			4,000		46,000 Dr	
19				2,600	43,400 Dr	
24				12,000	31,400 Dr	
28			2,200		33,600 Dr	
29				4,600	29,000 Dr	
31				12,000	17,000 Dr	

Account		Accounts Receivable				Account No. 1300
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 18			8,600		8,600 Dr	
28				2,200	6,400 Dr	

Account		Supplies				Account No. 1500
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 7			14,800		14,800 Dr	

Account		Food Service Equipment				Account No. 1600
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 6			8,000		8,000 Dr	

(continued) **P2-5B**

Account		Food Truck				Account No. 1700
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 2			26,000		26,000 Dr	

Account		Accounts Payable				Account No. 2100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 7				14,800	14,800 Cr	
24			12,000		2,800 Cr	
26				1,600	4,400 Cr	

Account		H. Malik, Capital				Account No. 3100
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 2				76,000	76,000 Cr	

Account		H. Malik, Withdrawals				Account No. 3200
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 31			12,000		12,000 Dr	

(continued) **P 2-5B**

Account		Service Revenue			Account No. 4100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 17				4,000	4,000 Cr	
18				8,600	12,600 Cr	

Account		Advertising Expense			Account No. 5100	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 26			1,600		1,600 Dr	

Account		Insurance Expense			Account No. 5500	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 29			1,600		1,600 Dr	

Account		Rent Expense			Account No. 5700	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 29			3,000		3,000 Dr	

Account		Salaries Expense			Account No. 5800	
Date 2020	Item	Jrnl. Ref.	Debit	Credit	Balance	
Oct. 19			2,600		2,600 Dr	

(continued) **P2-5B**

Req. 4

INTERNATIONAL CATERING			
Unadjusted Trial Balance			
January 31, 2020			
Account Number	Account Title	Debit	Credit
1100	Cash	\$ 17,000	
1300	Accounts receivable	6,400	
1500	Supplies	14,800	
1600	Food service equipment	8,000	
1700	Food truck	26,000	
2100	Accounts payable		\$ 4,400
3100	H. Malik, capital		76,000
3200	H. Malik, withdrawals	12,000	
4100	Service revenue		12,600
5100	Advertising expense	1,600	
5500	Insurance expense	1,600	
5700	Rent expense	3,000	
5800	Salaries expense	<u>2,600</u>	<u> </u>
	Total	<u>\$93,000</u>	<u>\$93,000</u>

(15-20 min.) **P2-6B**

MACKLE FITNESS		
Unadjusted Trial Balance		
July 31, 2020		
Account Title	Debit	Credit
Cash	\$ 41,000	
Accounts receivable	38,100	
Supplies	9,000	
Office furniture	19,500	
Fitness equipment	600,000	
Accounts payable		\$ 31,500
Note payable		194,500
G. Mackle, capital		462,000
G. Mackle, withdrawals	75,000	
Service revenue		160,500
Advertising expense	4,500	
Rent expense	15,000	
Salaries expense	42,500	
Utilities expense	<u>3,900</u>	
Total	<u>\$848,500</u>	<u>\$848,500</u>

Explanations:

Cash: $\$47,000 - \$6,000 = \$41,000$ Accounts receivable: $\$30,000 - \$900 + \$9,000 = \$38,100$ Supplies: $\$7,500 + \$1,500 = \$9,000$

Office furniture: \$19,500 (amount given)

Accounts payable: $\$30,000 + \$1,500 = \$31,500$ G. Mackle, capital: $\$442,500 + \$19,500 = \$462,000$ G. Mackle, withdrawals: $\$55,500 + \$19,500 = \$75,000$ Service revenue: $\$73,500 + \$87,000 = \$160,500$

Advertising expense: \$4,500 (amount given)

Rent expense: $\$9,000 + \$3,000 + \$3,000 = \$15,000$ Utilities expense: $\$3,000 + \$900 = \$3,900$

(45-50 min.) **P2-7B**
Maquina Lodge

Req. 1

Journal				
Date 2020	Account Titles and Explanations	Post. Ref.	Debit	Credit
Dec. 17	Cash		1,550	
	Guest Revenue			1,550
	Paid cash for rental to the end of December.			
18	Cash		20,400	
	Note Receivable			18,000
	Interest Earned			2,400
	Collected an \$18,000 note and related interest.			
21	Boating Equipment		14,000	
	Cash			5,000
	Guest Revenue			1,600
	Accounts Payable			7,400
	Purchased boating equipment.			
23	Cash		2,800	
	Guest Revenue			2,800
	Guest revenue earned from a conference.			
24	Mortgage Payable		2,000	
	Cash			2,000
	Made a payment to reduce the mortgage.			
27	B. Palmiter, Withdrawals		14,000	
	Cash			14,000
	Owner withdrew cash for personal use.			
29	Cash		1,100	
	Legal Expense		900	
	Guest Revenue			2,000
	Meeting rooms paid for in cash and in legal work.			

Note: December 31—No entry required. However, the amount posted must be corrected.

(continued) **P2-7B**
Maquina Lodge

Req. 2 and 3

Cash					
Dec.	15	3,800	Dec.	21	5,000
	17	1,550		24	2,000
	18	20,400		27	14,000
	23	2,800			
	29	1,100			
Bal.		8,650			

Accounts Receivable		
Dec.	15	8,800

Note Receivable					
Dec.	15	26,000	Dec.	18	18,000
Bal.		8,000			

Supplies Inventory		
Dec.	15	5,800

Office Equipment		
Dec.	15	10,200

Boating Equipment		
Dec.	15	96,800
	21	14,000
Bal.		110,800

Furniture		
Dec.	15	57,800

Building		
Dec.	15	200,000

Land		
Dec.	15	30,000

Accounts Payable			
	Dec.	15	12,000
		21	7,400
	Bal.		19,400

Mortgage Payable					
Dec.	24	2,000	Dec.	15	30,000
			Bal.		28,000

B. Palmiter, Capital			
	Dec.	15	209,800

B. Palmiter, Withdrawals		
Dec.	27	14,000

Guest Revenue			
	Dec.	15	310,800*
		17	1,550
		21	1,600
		23	2,800
		29	2,000
	Bal.		318,750

*adjusted for Dec 31 note

(continued) **P2-7B**
Maquina Lodge

Interest Earned		
	Dec. 18	2,400

Equipment Rental Expense		
Dec. 15		11,800

Insurance Expense		
Dec. 15		6,800

Legal Expense		
Dec. 29		900

Salaries Expense		
Dec. 15		81,000

Supplies Expense		
Dec. 15		2,800

Utilities Expense		
Dec. 15		21,000

(continued) **P2-7B**
Maquina Lodge

Req. 4

MAQUINA LODGE		
Unadjusted Trial Balance		
December 31, 2020		
Account Title	Debit	Credit
Cash	\$8,650	
Accounts receivable	8,800	
Note receivable	8,000	
Supplies inventory	5,800	
Office equipment	10,200	
Boating equipment	110,800	
Furniture	57,800	
Building	200,000	
Land	30,000	
Accounts payable		\$ 19,400
Mortgage payable		28,000
B. Palmiter, capital		209,800
B. Palmiter, withdrawals	14,000	
Guest revenue		318,750
Interest earned		2,400
Equipment rental expense	11,800	
Insurance expense	6,800	
Legal expense	900	
Salaries expense	81,000	
Supplies expense	2,800	
Utilities expense	<u>21,000</u>	
Total	<u>\$578,350</u>	<u>\$578,350</u>

Challenge Problems

(15-20 min.) **P2-1C**

Req. 1

The students may need a hint. Use the statement of Owner's Equity as a model.

$$\begin{array}{rcccccc} \text{Owner's Equity} & + & \text{Owner's} & - & \text{Owner's equity} & = & \text{Income during} \\ \text{at the end of the} & & \text{withdrawals or} & & \text{at the beginning} & & \text{the year} \\ \text{year} & & \text{expenditures} & & \text{of the year} & & \\ \text{(A-L)} & & & & \text{(A-L)} & & \end{array}$$

In other words, Canada Revenue Agency values what Donna has at the end of the year and subtracts what she had at the beginning (\$8,000 in this case) plus an estimate of what she spent on herself during the year; the remainder is the income she must have earned during the year and the amount on which she should be taxed.

Req. 2

Note – no additional owner's investments have occurred.

The accounting concept is the accounting equation restated. Use the statement of Owner's Equity equation.

$$\begin{array}{rcccccc} \text{Beg OE} & + & \text{Investment} & - & \text{Withdrawals} & \pm & \text{Net income} & = & \text{End OE} \\ 8,000 & & 0 & & 0 & & X & & ? \end{array}$$

(20-25 min.) **P2-2C**

Dear Friend,

This trial balance lists the accounts of Archer Communications, along with their balances at December 31, 2020. The trial balance is an internal document used by accountants. It is not the same as a balance sheet or an income statement. The balance sheet and the income statement are financial statements used by managers, creditors, and potential investors for decision making.

The fact that the trial balance is in balance does not mean that Archer Communications is a sound company. It merely means that total debits equal total credits in the company ledger. This says nothing about the soundness of the business.

To compute Archer Communications' net income or net loss for the current period, subtract total expenses from service revenue. In this instance, Archer Communications earned net income of \$55,000 [sales revenue of \$151,000 minus total expenses of \$96,000 (\$4,500 + \$39,000 + \$10,500 + \$42,000)].

Instructional Note: Student responses may vary considerably.

Decision Problems

Req. 1 and 2

(40-50 min.) **DP2-1**
Car Finders

Cash	
(a)	50,000
(b)	8,000
(h)	7,500
(i)	2,400
Bal.	22,100

Accounts Receivable	
(g)	15,600
(i)	2,400
Bal.	13,200

Supplies	
(d)	1,600
Bal.	1,600

Vehicle	
(c)	27,000
Bal.	27,000

Note Payable	
(b)	8,000
Bal.	8,000

Samina Hin, Capital	
(a)	50,000
Bal.	50,000

Advising Revenue	
(g)	15,600
(h)	7,500
Bal.	23,100

Advertising Expense	
(e)	1,200
Bal.	1,200

Interest Expense	
(f)	200
Bal.	200

Rent Expense	
(f)	1,800
Bal.	1,800

Commission Expense	
(f)	12,400
Bal.	12,400

Utilities Expense	
(f)	600
Bal.	600

Gas Expense	
(f)	1,000
Bal.	1,000

(continued) **DP2-1**

Req. 3

CAR FINDERS		
Unadjusted Trial Balance		
March 31, 2020		
Account Title	Debit	Credit
Cash	\$22,100	
Accounts receivable	13,200	
Supplies	1,600	
Vehicle	27,000	
Note payable		\$ 8,000
Samina Hin, capital		50,000
Advising revenue		23,100
Advertising expense	1,200	
Commission expense	12,400	
Gas expense	1,000	
Interest expense	200	
Rent expense	1,800	
Utilities expense	<u>600</u>	
Total	<u>\$81,100</u>	<u>\$81,100</u>

Req. 4 (Net income or loss for first month of operations)

CAR FINDERS		
Income Statement		
For the Month Ended March 31, 2020		
Revenue		
Advising revenue		\$23,100
Expenses		
Advertising expense	\$ 1,200	
Commission expense	12,400	
Gas expense	1,000	
Interest expense	200	
Rent expense	1,800	
Utilities expense	<u>600</u>	
Total expenses		<u>17,200</u>
Net income		<u>\$ 5,900</u>

Recommendations: Do not continue the business because the business is not earning the minimum amount expected by the owner.

Financial Statement Cases

(10 min.) **FSC2-1**

1. Indigo Books & Music Inc. presents its financial statements in Canadian dollars.
2. Amounts are recorded in thousands of dollars.
3. April 1, 2017, is the date of the most recent financial statement. In 2016 it was dated April 2.
4. Indigo is a publicly traded company so it must follow IFRS. It also tells us that they follow IFRS in Note 3. Basis of Preparation.
5. In Note 3. Basis of Preparation, it states that the Board of Directors approved them on May 30, 2017.

(20-30 min.) **FSC2-2**

Req. 2

All amounts in millions of dollars

Journal					
Date 2016		Account Titles and Explanations	Post. Ref.	Debit	Credit
Dec.	a.	Accounts Receivable		950	
		Service Revenue			950
	b.	Goods and Services Purchased		1,100	
		Cash			1,100
	c.	Financing Costs		520	
		Cash			520
	d.	Cash		2,100	
		Accounts Receivable			2,100
	e.	Prepaid Expenses		24	
		Cash			24
	f.	Property, Plant and Equipment		550	
		Accounts Payable and Accrued Liabilities			550
	g.	Goods and Services Purchased		1,800	
		Cash			1,800

(continued) **FSC2-2**

Req. 1, 3, 4

Partial list of accounts – all amounts in millions of dollars

Cash		Accounts Receivable	
Bal.	1,776	b.	1,100
d.	2,100	c.	520
		e.	24
		g.	1,800
Bal.	432	Bal.	2,621
		a.	950
		Bal.	1,471

Prepaid Expenses		Property, Plant, and Equipment	
Bal.	209	Bal.	9,914
f.	24	f.	550
Bal.	233	Bal.	10,464

Accounts Payable and Accrued Liabilities		Service Revenue		
	Bal.	1,780	Bal.	11,050
	f.	550	a.	950
	Bal.	2,330	Bal.	12,000

Goods and Services Purchased		Financing Costs	
Bal.	2,731	c.	520
b.	1,100	Bal.	520
g.	1,800		
Bal.	5,631		

Req. 5

Examples of a few accounts that could be summarized in each category.

- a) Property, plant and equipment:
Land, buildings, machinery, equipment, automobiles, computer equipment
- b) Accounts payable and accrued liabilities:
Utilities payable, rent payable, income tax payable, interest payable
- c) General and administration expenses:
Advertising expense, telephone expense, utilities expense, rent expense